

PEMBINA PIPE LINE LTD.
6th Annual Report 1960



HIGHLIGHTS of 1960

(With comparison for previous years)

	1960	1959	1958	1957	1956	1955
Net income for the year	\$1,324,154	\$1,187,348	\$1,002,197	\$1,095,079	\$1,102,429	\$416,628
Earnings per com- mon share	77¢	68¢	56½¢	62¢	63¢†	20¢†
Average deliveries in barrels of oil per day	110,400	103,400	94,000	106,000	88,000	38,000
Wells drilled						
— in the year	490	425	612	526	857	685
— in total	3,640*	3,150	2,725	2,113	1,587	730
Batteries connected						
— in the year	65	54	71	114	132	95
— in total	534	469	415	344	230	98
Miles of pipeline built						
— in the year	56	85	49	148	153	152
— in total	706	650	565	543	395	242

† 1955 and 1956 adjusted for subdivision of stock effective March 18, 1957 on a 4 for 1 basis.

* Includes 740 water injection wells and 22 gas injection wells drilled or converted from oil wells as part of the producers' programme of pressure maintenance in the Pembina Field. Production allowables for the injection wells are transferred to other oil wells.



sixth annual report 1960

PEMBINA PIPE LINE LTD.

Directors

A. D. ARMOUR	Toronto, Ontario
D. K. BALDWIN	Montreal, Quebec
E. CONNELLY	Calgary, Alberta
E. W. COSTELLO	Calgary, Alberta
J. P. GALLAGHER	Calgary, Alberta
F. C. MANNIX	Calgary, Alberta
JAMES A. SCOTT	Calgary, Alberta

Officers

F. C. MANNIX	Chairman of the Board
JAMES A. SCOTT	President
E. CONNELLY	Vice President and Treasurer
E. W. COSTELLO	Vice President and Secretary
J. P. GALLAGHER	Vice President
H. BOOTH	General Manager and Controller
K. L. PERRY	Assistant Secretary

BANKERS	The Royal Bank of Canada Calgary, Alberta
TRANSFER AGENTS	The Montreal Trust Company Calgary, Alberta
SOLICITORS	Chambers, Might, Saucier, Peacock, Jones, Black & Gain Calgary, Alberta
AUDITORS	Peat, Marwick, Mitchell & Co. Edmonton, Alberta

report of the directors to the shareholders

This report covers the sixth year of operations of Pembina Pipe Line Ltd.

*Alberta
production
and
Pembina's
throughputs*

During the year under review the total demand for Alberta crude oil averaged 365,000 barrels per day. The portion of this production transported by the Pembina system amounted to an average of 110,400 barrels per day. This throughput represents an increase of 7% over the 1959 daily average of 103,400 barrels per day. Due to the recently announced "National Oil Policy" some further increase in throughputs for the Pembina system can be anticipated in 1961. Any significant increase in the demand for Alberta crude oil would, under the provincial method of proration of production to market demand, result in the greater part of additional demand being produced by the more prolific D-3 pools which have a higher permissible rate of production than the Pembina Cardium pool; however, it is considered that throughputs in 1961 might average approximately 120,000 barrels per day dependent on the extent to which the new oil policy affects the total production of crude oil in Alberta.

*Earnings
and
financial*

Gross revenue from pipe line operations for the year amounted to \$5,974,000, an increase of 6% when compared with gross revenue for the previous year. Operating expenses amounted to \$1,500,000, a decrease of 3% when compared with the operating expenses of the previous year. Miscellaneous net charges against earnings from operations were reduced \$51,000 from those of the previous year. Net earnings for the year under review amounted to \$1,324,000, an increase of 12% when compared with net earnings for 1959. As a result of the foregoing, and after provision for dividends on preferred shares, earnings per common share in 1960 amounted to 77¢. This compares with 68¢ per common share for 1959.

*Extensions
to the
gathering
system*

The extensions to the gathering system during the past year were concentrated principally in the north central portion of the Pembina field. Pipe line connections were also completed to service new batteries in the areas formerly designated by the Oil and Gas Conservation Board as the Lobstick, Keystone and Carnwood fields. These latter fields, by order of the Conservation Board, were amalgamated with the Pembina field on March 1, 1960. Approximately 56 miles of pipe line varying in size from 3" to 10" were added to the system together with connections to 65 batteries thereby increasing the facilities at year end to 706 miles of pipe line serving 534 batteries. These producers' batteries receive the allowable production from 3640 wells, which is an increase of 490 wells during the year. This increase was brought about by the completion of 277 producing oil wells and 213 injection wells the allowable production from which is transferred to other producing oil wells. It is expected that extensions to the gathering system in 1961 will be slightly less than those required in 1960.

*Automation
of
Facilities*

During the past year automatic custody transfer facilities were installed at 57 battery locations in the gathering system and at the year end 124 batteries were automated. Deliveries from the system through automatic meter facilities were also commenced during the year and since September, 1960 all deliveries to Inter-provincial Pipe Line Company have been made through their meter facilities at the Edmonton terminal. We plan to continue with the further automation of our gathering and trunk line facilities in 1961.

*Calmar
Booster
Station*

Due to the anticipated increase in throughputs it will be necessary to re-activate the Calmar Booster Station. One 1250 h.p. unit will be installed which will increase the trunk line capacity to 146,000 barrels per day. This additional capacity will be adequate to handle the anticipated higher throughputs and furnish stand-by capacity for emergencies.

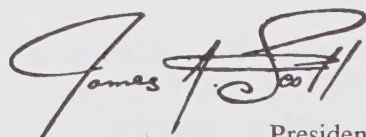
*N G L
Pipe line
project*

Your company is actively continuing its efforts relating to the proposed pipe line system to gather natural gas liquids for use within the Province of Alberta and to transport the surplus to the Chicago market area. In this connection the Oil and Gas Conservation Board of Alberta has held a series of hearings on the applications of the company's subsidiaries Westalta Products Pipe Line Ltd. and Foothills Pipe Lines Ltd. during the period commencing in May 1960 and terminating in February 1961. Hearings on applications by competitors were also held by the Conservation Board during that period.

It has long been recognized by the company that a strong marketing partner in the Chicago area is essential for the success of the export project and after lengthy negotiations an agreement was entered into on December 14, 1960 with Standard Oil Company (Indiana) whereby Pembina and Standard will cooperate in the development and ownership of this pipe line project. In furtherance of this agreement Standard has caused its subsidiary, Tuloma Gas Products Company, to approach the major producers of natural gas liquids in Alberta with a view to purchasing substantial quantities of product for use in Standard's refinery near Chicago.

Your Directors wish to record their sincere appreciation to the employees of the company for their continuing high standard of loyalty and work.

By Order of the Board,

A handwritten signature in dark ink, appearing to read "James F. Scott". The signature is fluid and cursive, with the first name "James" and last name "Scott" clearly legible.

President.

February 28, 1961
Calgary, Alberta.

production and throughputs: 1960

FIELD PRODUCTION

The production from all fields for 1960 amounted to 40,300,000 barrels and the following table indicates the amount gathered from each field:

Pembina	38,672,000
*Keystone	613,000
*Carnwood	58,000
*Lobstick	203,000
Willesden Green	754,000
	<hr/>
	40,300,000

* Effective March 1, 1960 these fields were amalgamated with the Pembina field.

MAIN LINE THROUGHPUTS

The above noted production was delivered through the trunk line facilities to the following delivery points in Edmonton:

Interprovincial	34,835,000
Trans Mountain	1,077,000
Refineries at Edmonton	4,388,000
	<hr/>
	40,300,000

facilities added in 1960

	PEMBINA	WILLESDEN GREEN	TOTAL
Miles of crude oil gathering lines constructed	52	4	56
New batteries connected	63	2	65
Batteries automated	56	1	57
New wells	472	18	490

source and application of funds 1960

(With comparison for previous years)

	1960	1959	1958	1957	1956
SOURCE OF FUNDS:					
Net earnings	\$ 1,324,154	\$1,187,348	\$1,002,197	\$1,095,079	\$1,102,429
Depreciation and amortization	1,205,887	1,023,760	922,147	893,056	576,894
Deferred income taxes	198,735	321,112	355,815	418,222	475,015
Debt discount amortized	32,350	34,146	34,159	21,293	17,772
Long term debt issued, (Less: Discount on debt and funds remaining with trustee — not withdrawn)	—	—	2,284,588	—	3,081,470
Withdrawals from trustee	—	740,012	—	1,337,405	—
Other items (net)	9,617	(3,097)	3,100	2,658	915
	<u>\$ 2,770,743</u>	<u>\$3,303,281</u>	<u>\$4,602,006</u>	<u>\$3,767,713</u>	<u>\$5,254,495</u>
APPLICATION OF FUNDS:					
Additions to carrier property (net)	\$ 1,651,540	\$1,716,802	\$ 723,914	\$5,467,758	\$6,049,480
Sinking fund requirements	1,117,000	1,107,762	912,500	857,756	282,744
Additional operating oil supply	—	—	—	148,417	—
Additional income taxes	141,980	—	—	—	—
Investment in wholly owned subsidiaries	423,000	100	—	—	—
Advances to wholly owned subsidiaries (net)	(32,120)	69,817	—	—	—
Preferred dividends	89,393	94,043	100,000	100,000	100,000
	<u>\$ 3,390,793</u>	<u>\$2,988,524</u>	<u>\$1,736,414</u>	<u>\$6,573,931</u>	<u>\$6,432,224</u>
Increase (Decrease) in Working Capital	\$ (620,050)	\$ 314,757	\$2,865,592	\$(2,806,218)	\$(1,177,729)
Working Capital (Deficit)	\$(1,203,175)	\$(583,125)	\$(897,882)	\$(3,763,474)	\$(957,256)

PEMBINA P BALANCE

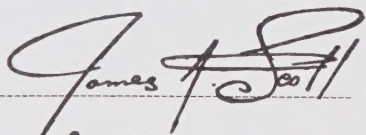
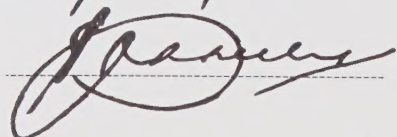
as at November 30, 1960

(With comparative figures for 1959)

assets

	1960	1959
Fixed assets, at cost:		
Carrier property and equipment	\$27,878,461	\$26,262,714
Less accumulated depreciation	4,300,555	3,156,826
	<u>23,577,906</u>	<u>23,105,888</u>
Operating oil supply	482,191	482,191
	<u>24,060,097</u>	<u>23,588,079</u>
Investment in and advance to wholly-owned subsidiary companies:		
Investments, at cost	423,100	100
Advances	37,697	69,817
	<u>460,797</u>	<u>69,917</u>
Current assets:		
Cash	242,701	638,231
Funds held by trustees for bond and debenture holders and subject to withdrawal	—	54,884
Investment in company bonds, debentures and preferred shares (held for future sinking fund purposes), at cost (\$142,500 par value)	126,391	120,957
Cash in hands of sinking fund trustee	1,267	767
Accounts receivable:		
Shippers	520,027	421,827
Others	14,337	30,355
Materials and supplies, at cost	92,022	108,264
Deposits and prepaid expenses	34,434	19,299
Total current assets	<u>1,031,179</u>	<u>1,394,584</u>
Deferred charges:		
Unamortized discount on funded debt	233,779	266,129
Organization expenses	3,656	3,656
	<u>237,435</u>	<u>269,785</u>
Goodwill and other intangibles less amounts written off (note 1)	<u>814,922</u>	<u>850,904</u>

Signed on behalf of the Board:

 Director
 Director

\$26,604,430 \$26,173,269

E LINE LTD.

S H E E T

er 30, 1960

gures for 1959)

liabilities

	1960	1959
Funded debt, less current maturities (note 2) -----	\$13,087,000	\$14,129,000
Current liabilities:		
Due to bank, demand loan -----	375,000	—
Accounts payable and accrued charges -----	340,539	369,614
Interest accrued on funded debt, net -----	278,493	299,426
Sinking fund payments due within one year:		
Funded debt, less bonds and debentures held by the company — 1960 \$392,000; 1959 \$392,000 (note 2) -----	654,000	640,000
Preferred shares -----	75,000	75,000
Dividends payable on preferred shares, net -----	22,126	23,017
Income taxes payable, estimated, less payments -----	489,196	570,652
Total current liabilities -----	2,234,354	1,977,709
Deferred taxes on income (note 3) -----	2,149,357	1,950,622
Shareholders' equity:		
Capital stock:		
5% cumulative redeemable first preferred shares of a par value of \$50.00 each. Authorized 60,000 shares; issued 40,000 shares -----	2,000,000	2,000,000
Less shares redeemed — 1960 3,000 shares; 1959 1,500 shares -----	150,000	75,000
	1,850,000	1,925,000
Less sinking fund payment due within one year -----	75,000	75,000
	1,775,000	1,850,000
Common shares of a par value of \$1.25 each. Authorized 4,000,000 shares; issued 1,600,572 shares (note 5) -----	2,000,715	2,000,715
	3,775,715	3,850,715
Capital redemption reserve fund -----	150,000	75,000
Contributed surplus -----	5,285	5,285
Retained earnings (note 6) -----	5,202,719	4,184,938
	9,133,719	8,115,938
	\$26,604,430	\$26,173,269

to financial statements.

hell & Co., Chartered Accountants, dated February 10, 1961)

Statement of Earnings

Year ended November 30, 1960

(WITH COMPARATIVE FIGURES FOR 1959)

	1960	1959
Revenue from pipe line operations	\$5,974,488	\$5,637,516
Expenses:		
Operating	1,499,894	1,547,001
Directors' fees	4,750	5,064
Depreciation and amortization	1,205,887	1,023,760
	<u>2,710,531</u>	<u>2,575,825</u>
Net earnings from operations	3,263,957	3,061,691
Miscellaneous charges, net:		
Interest on funded debt	707,117	753,541
Amortization of discount on funded debt	32,350	34,146
	<u>739,467</u>	<u>787,687</u>
Deduct:		
Interest earned on trustee securities	24,371	51,084
Profit on sinking fund operations	58,649	29,456
	<u>83,020</u>	<u>80,540</u>
	656,447	707,147
Net earnings before taxes on income	2,607,510	2,354,544
Taxes on income:		
Current year	1,084,621	846,084
Future years (note 3)	198,735	321,112
	<u>1,283,356</u>	<u>1,167,196</u>
Net earnings	<u>\$1,324,154</u>	<u>\$1,187,348</u>

Statement of Retained Earnings

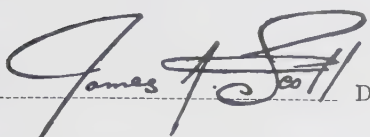
Balance at November 30, 1959	\$4,184,938
Add net earnings year ended November 30, 1960	1,324,154
	<u>5,509,092</u>
Deduct:	
Dividends paid on 5% cumulative redeemable first preferred shares	\$ 89,393
Transfer to capital redemption reserve fund	75,000
Additional income taxes and interest for prior years resulting from disallowance of capital cost allow- ance (note 1)	141,980
Balance at November 30, 1960	<u>\$5,202,719</u>

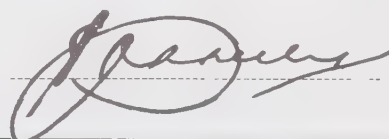
Statement of Capital Redemption Reserve Fund

Balance at November 30, 1959	\$ 75,000
Add transfer from retained earnings re redemption of preferred shares	75,000
Balance at November 30, 1960	<u>\$ 150,000</u>

STATEMENT IN ACCORDANCE WITH SECTION 122(6) OF THE COMPANIES ACT (ALBERTA)

The aggregate net earnings of the subsidiary companies for the year ended
November 30, 1960 have not been reflected in the accounts of Pembina Pipe Line Ltd.

 Director

 Director

Notes to Financial Statements

November 30, 1960

- (1) As capital cost allowance for 1955 and subsequent years in respect of \$1,000,000 previously included under the heading "carrier property and equipment" has been denied by the Income Tax Department, the directors by resolution dated November 23, 1960 determined that thereafter the amount be set apart separately on the balance sheet under the heading "goodwill and other intangibles". Accordingly the unamortized portion is shown on the balance sheet in the amount of \$814,922 for 1960 and \$850,904 for 1959.

	1960	1959
(2) Funded debt:		
First mortgage bonds:		
4¼% serial bonds, series "A":		
Authorized and issued (maturing as to \$400,000 on December 1, in each of the years 1958 to 1965)	\$ 3,500,000	\$ 3,500,000
Less redeemed and cancelled	1,100,000	700,000
	<u>2,400,000</u>	<u>2,800,000</u>
4¾% 17-year bonds, series "A", due December 1, 1971:		
Authorized and issued	4,000,000	4,000,000
Less redeemed and cancelled	741,000	566,000
	<u>3,259,000</u>	<u>3,434,000</u>
4½% bonds, series "B", due October 1, 1973:		
Authorized and issued	3,125,000	3,125,000
Less redeemed and cancelled	685,000	498,000
	<u>2,440,000</u>	<u>2,627,000</u>
Carried forward	\$ 8,099,000	\$ 8,861,000

Notes to Financial Statements, continued

(2) Funded debt, continued:	1960	1959
Brought forward	\$ 8,099,000	\$ 8,861,000
6% bonds, series "C", due December 1, 1974:		
Authorized and issued (sinking fund payments commenced December 1, 1959)	2,400,000	2,400,000
Less redeemed and cancelled	142,000	—
	2,258,000	2,400,000
	10,357,000	11,261,000
Debentures:		
5% sinking fund debentures, series "A", due December 1, 1972:		
Authorized and issued	2,000,000	2,000,000
Less redeemed and cancelled	289,000	214,000
	1,711,000	1,786,000
5% convertible sinking fund debentures, series "B", due October 1, 1974 (conversion privilege expired October 1, 1960):		
Authorized and issued (sinking fund payments commence October 1, 1960)	1,400,000	1,400,000
Less converted into common stock and redeemed and cancelled	53,000	4,000
	1,347,000	1,396,000
6% convertible sinking fund debentures, series "C", due December 1, 1975 (note 5):		
Authorized and issued (sinking fund payments commence December 1, 1961)	720,000	720,000
Less converted into common stock	2,000	2,000
	718,000	718,000
	3,776,000	3,900,000
Total funded debt	14,133,000	15,161,000
Less sinking fund payments due within one year	1,046,000	1,032,000
Funded debt less current maturities	\$13,087,000	14,129,000

- (3) In accordance with certain regulations under the Income Tax Act the company is permitted to claim depreciation at maximum rates for tax purposes without charging such depreciation in its accounts. Accordingly temporary tax savings of \$2,149,357 have been effected (of which \$198,735 is applicable to the current year) and have been treated in the accounts as a charge against earnings and a credit to deferred taxes on income.
- (4) The company may at its option redeem the whole or any part of the 5% cumulative redeemable first preferred shares on not less than 30 days' notice at par value plus a premium of 5% to December 1, 1960, and thereafter at a reducing premium to December 1, 1972, after which no premium is payable upon redemption.
- (5) The 6% convertible sinking fund debentures, series "C", carry a conversion privilege exercisable on or before December 1, 1965, entitling the holders thereof to exchange each \$500 principal amount of said debentures for 55 common shares of the company.
- (6) The trust deeds securing the first mortgage bonds and the debentures place certain restrictions upon the payment of dividends on the common shares of the company and upon the redemption or repayment of any capital stock.

PEAT, MARWICK, MITCHELL & Co.

CHARTERED ACCOUNTANTS

EMPIRE BLOCK
EDMONTON, ALBERTA

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the balance sheet of Pembina Pipe Line Ltd. as of November 30, 1960 and the statements of earnings, retained earnings and capital redemption reserve fund for the year ended on that date and have obtained all the information and explanations we have required. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, and according to the best of our information and the explanations given to us and as shown by the books of the company, the accompanying balance sheet and statements of earnings, retained earnings and capital redemption reserve fund are properly drawn up so as to exhibit a true and correct view of the state of the affairs of the company at November 30, 1960, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Peat Marwick Mitchell & Co.

CHARTERED ACCOUNTANTS.

Edmonton, Alberta
February 10, 1961.

PROPOSED NATURAL GAS LIQUIDS PIPE LINE SYSTEM

GATHERING SYSTEM ——— MAIN TRANSMISSION LINE - - - - -

